

**Testimony of Representative Lorence Wenke to the
House New Economy and Quality of Life Committee
March 22, 2007**

My primary business is producing flowers in greenhouses in Michigan and Georgia. My company has 200 full-time employees.

I offer a 401(k) plan to my employees so that they have an opportunity to save money in a tax deferred method. Current assets are over 2 million dollars. In 2006, there were \$182,718 in employee contributions into the plan and \$91,618 in employer matching contributions. I give you these numbers because to my company this is a significant amount of dollars.

I believe that employees of small organizations in Michigan and their employers would be much better off if their investments for retirement could be part of a much larger group as we legislators are offered.

These are some of my reasons:

- (1) Small businesses do not have full-time HR departments to service employees and stay current on federal 401(k) laws
- (2) The employer is too responsible for 401(k) administration. For example, notifications for a change of current address are often an issue of difficulty. What happens when an employee quits or is fired? Notifications of all employees when changes are made to the plan is an issue. Some employees quit and leave a small amount of money in the plan for which we have to pay annual fees for auditing & administration.
- (3) What if the employer makes a mistake that has long term consequences on the employee?
- (4) What if an employee takes out a loan against their 401(k) plan and they quit or are fired or cannot afford to pay it back?
- (5) The employer is responsible for a lot of notifications of employees.

My company currently spends \$8,000 per year for a required federal audit and \$3,000 more in administration costs, for a total of \$11,000 annually.

My greenhouse company is divided between Michigan and Georgia, but federal law requires that all employees be in the same 401(k) plan. The result is that my investment agent is in Atlanta, GA where none of my employees have easy access to his advice.

I also am a partner in a small manufacturing company that has fewer than 20 full time employees. This company qualifies for an SRP, or Simple Retirement Plan, which is less costly to maintain than my 401(k) plan.

In closing, in 2004, Michigan had about 24,000 new business start-ups and about 24,000 business terminations. I am sure there were a lot of 401(k) plan complications for employees and employers. I believe the Michigan Retirement Program will help both employers and employees and make Michigan a better place for small business.

A Michigan 401(k) plan would give employees of small organizations the benefits of professional management, large dollar volumes and better returns at lower cost.